

WASTE MANAGEMENT SERVICE DISTRICT #5
A COMPONENT UNIT OF BEAVER COUNTY, UTAH
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

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FINANCIAL SECTION



KEMP BURDICK

KEMP BURDICK HINTON & HALL L.L.C.

CPA'S & ADVISORS

Independent Auditors' Report on the Basic Financial Statements

Administrative Control Board
Waste Management Service District #5
P. O. Box 278
Milford, UT 84751

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
BRENT R. HALL
KENNETH A. HINTON
GREGORY A. KEMP
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying basic financial statements of Waste Management Service District #5, a component unit of Beaver County, as of December 31, 2005, and for the year then ended, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Waste Management Service District #5, as of December 31, 2005 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 12, 2006 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 6 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waste Management Service District #5's basic financial statements. The budgetary information on page 23 is presented for purposes of additional analysis and is not a required part of the audited financial statements. The statement of revenues, expenses, and changes in net assets – budget and actual has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kemp, Burdick, Hinton & Hall, L.C.

KEMP, BURDICK, HINTON & HALL, L.C.

July 12, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Beaver County Service District #5's "District" financial performance provides an overview of the District's financial activities for the year ending December 31, 2005. This report is in conjunction with the District's financial statements, which are part of this report.

The purpose of the District is to provide property and equipment and other funds for the operating costs for solid waste disposal service to the residents and municipalities of Beaver County.

FINANCIAL HIGHLIGHTS

Total Revenue increased by \$30,777.00 and Expenditures increased by \$49,611.00. Total Assets increased due to the purchase of a 963C Caterpillar Track Loader in the amount of \$273,000.00. The Track Loader was financed through a Lease Purchase Agreement, in which the payment is \$80,695.00, paid annually.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Revenues, Expenses and changes in Net Assets provide information about the activities of the District as a whole. These statements tell how these services were financed in the short term as well as what remains for future spending.

REPORTING THE DISTRICT AS A WHOLE

The District realizes the Revenue from three sources; Revenue received from Charges for Services - Landfill Revenue, Mineral Lease Revenues received from the State of Utah and Investment Income.

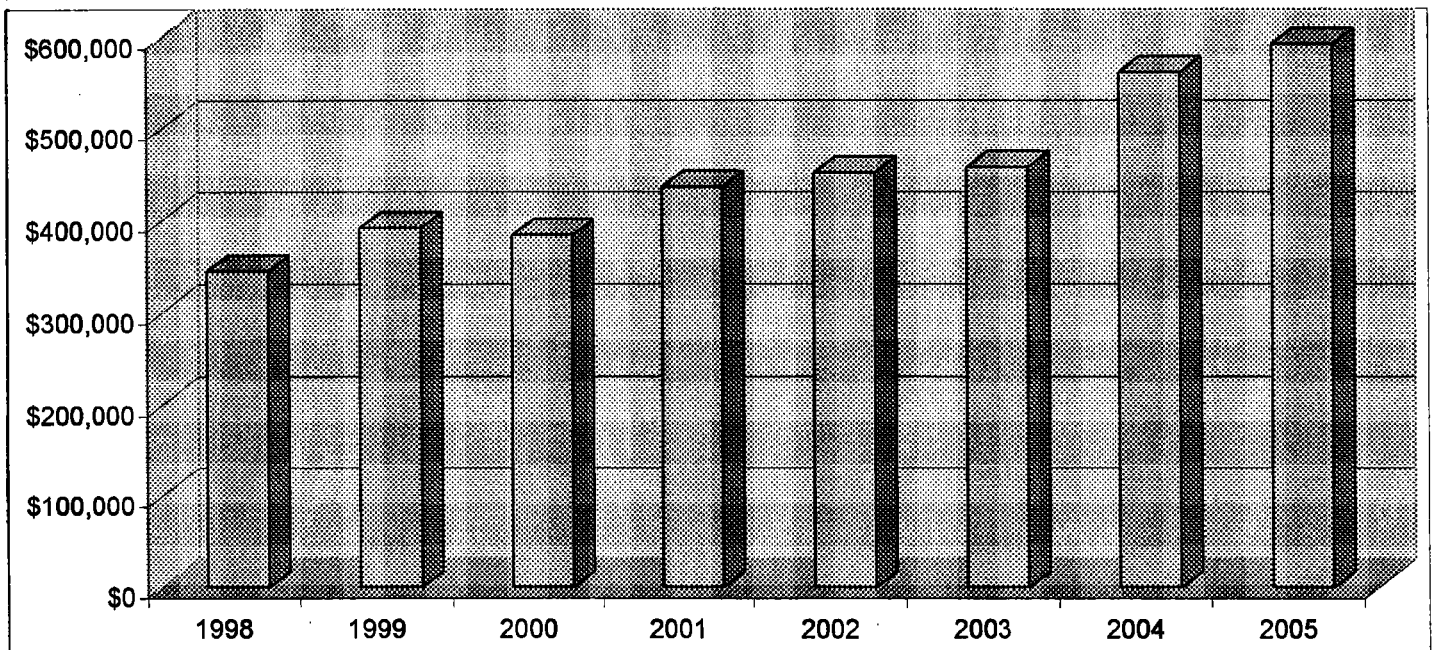
CONTACTING THE DISTRICT'S TREASURER

This financial report is designed to provide the citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Tonya Asay, P.O. Box 278, Milford, Utah 84751. Phone# (435) 386-2530.

Beaver County Service District #5 **Revenue - Eight Year Comparison**

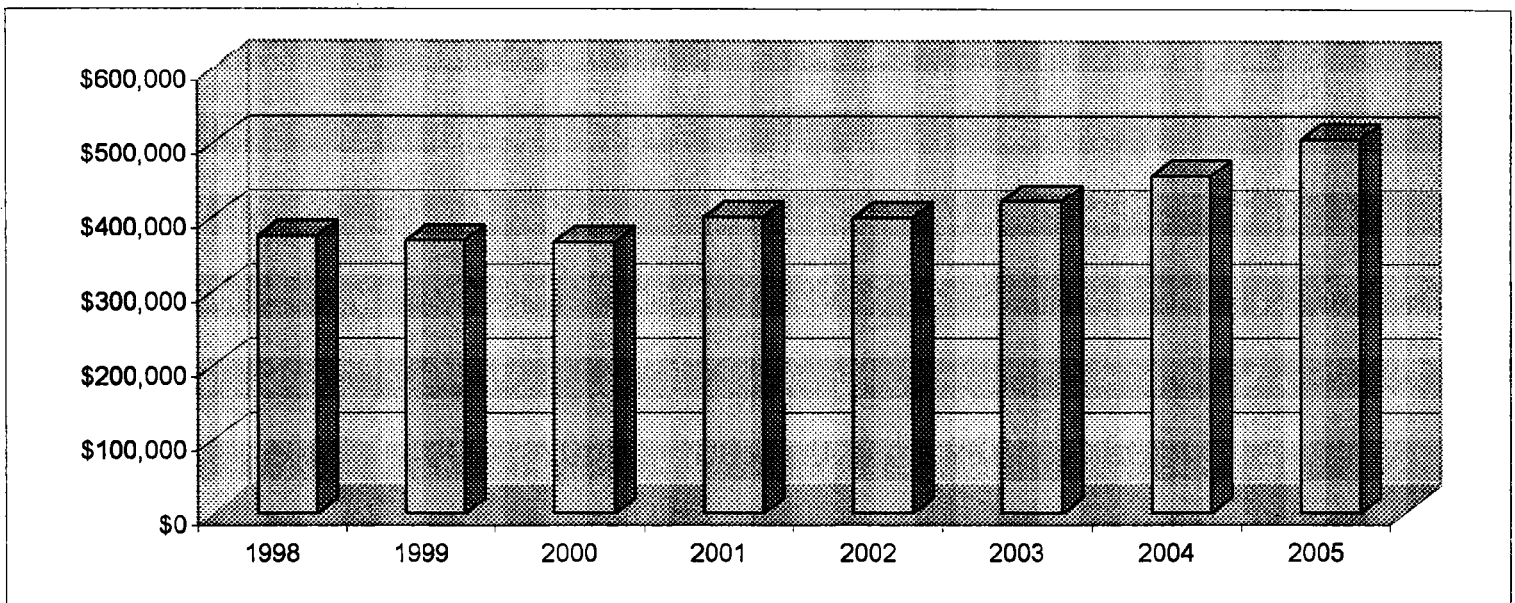
	1998	1999	2000	2001	2002	2003	2004	2005
Charges for Services	\$222,576	\$264,758	\$249,926	\$277,383	\$297,881	\$290,561	\$403,165	\$418,007
Mineral Lease Revenue	\$116,988	\$121,824	\$128,468	\$151,548	\$146,650	\$157,839	\$147,871	\$156,405
Investment Income	\$4,633	\$4,450	\$5,050	\$6,658	\$6,442	\$8,929	\$9,794	\$17,195
Total Revenue	\$344,197	\$391,032	\$383,444	\$435,589	\$450,973	\$457,329	\$560,830	\$591,607

Total Revenue



Beaver County Service District #5 **Expenditures - Eight Year Comparison**

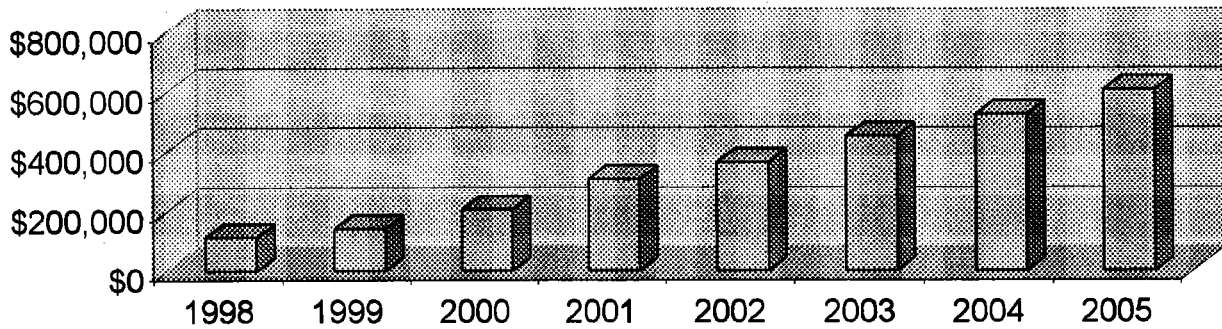
	1998	1999	2000	2001	2002	2003	2004	2005
Collection Expense	\$144,071	\$136,211	\$138,348	\$146,933	\$147,960	\$147,389	\$152,776	\$152,137
Advertising	\$269	\$541	\$320	\$37	\$316	\$21	\$136	\$159
Bad Debt Expense	\$758	\$973	\$1,210	\$1,600	\$0	\$0	\$72	\$0
Bank Charges	\$11	\$24	\$184	\$17	\$0	\$0	\$74	\$0
Bond Expense	\$0	\$425	\$500	\$510	\$510	\$760	\$510	\$510
Depreciation Expense	\$43,146	\$43,261	\$40,792	\$40,544	\$41,622	\$46,909	\$48,886	\$60,055
Equipment Expense	\$1,652	\$1,648	\$176	\$0	\$0	\$0	\$0	\$0
Employee Benefits	\$8,111	\$6,782	\$8,174	\$10,144	\$0	\$0	\$0	\$0
Fines and Penalties	\$373	\$747	\$0	\$0	\$0	\$0	\$0	\$0
Fuel	\$5,205	\$5,348	\$7,895	\$6,372	\$5,097	\$7,626	\$10,893	\$15,202
Insurance Expense	\$31,380	\$33,258	\$29,671	\$37,501	\$41,706	\$43,192	\$48,246	\$47,879
Legal and Professional	\$7,100	\$10,552	\$13,640	\$9,446	\$6,513	\$8,967	\$7,224	\$21,507
Landfill Expense	\$210	\$113	\$109	\$0	\$0	\$0	\$0	\$0
Miscellaneous Expense	\$2,448	\$5,345	\$2,926	\$2,818	\$1,733	\$2,545	\$4,466	\$1,400
Office Expense	\$3,692	\$6,088	\$5,793	\$15,201	\$7,437	\$7,667	\$4,425	\$4,739
Outside Services	\$2,168	\$1,590	\$1,258	\$0	\$0	\$0	\$0	\$0
Payroll Tax Expense	\$6,671	\$6,558	\$5,857	\$6,943	\$7,137	\$7,440	\$8,027	\$12,237
Closure and Post Closure Expense	\$12,177	\$6,792	\$18,520	\$20,215	\$19,625	\$17,910	\$17,345	\$46,656
Rent and Lease Expense	\$2,315	\$2,818	\$1,222	\$0	\$500	\$450	\$400	\$400
Repairs and Maintenance	\$8,329	\$7,001	\$5,299	\$7,358	\$7,531	\$14,350	\$26,720	\$11,455
Retirement Expense	\$0	\$0	\$0	\$0	\$10,659	\$10,207	\$9,510	\$11,863
Salaries and Wages	\$87,939	\$84,983	\$76,549	\$86,329	\$93,296	\$98,493	\$106,127	\$110,627
Travel and Meals Expense	\$1,413	\$1,798	\$871	\$1,397	\$946	\$1,058	\$2,107	\$180
Utilities	\$4,309	\$5,247	\$6,311	\$5,736	\$5,771	\$5,979	\$7,529	\$6,598
Licenses & Fees	\$0	\$0	\$0	\$0	\$0	\$48	\$265	\$1,745
Total Expenditures	\$373,747	\$368,103	\$365,625	\$399,101	\$398,359	\$421,011	\$455,738	\$505,349



Beaver County Service District #5
Cash and Cash Equivalent - Eight Year Comparison
as of December 31st

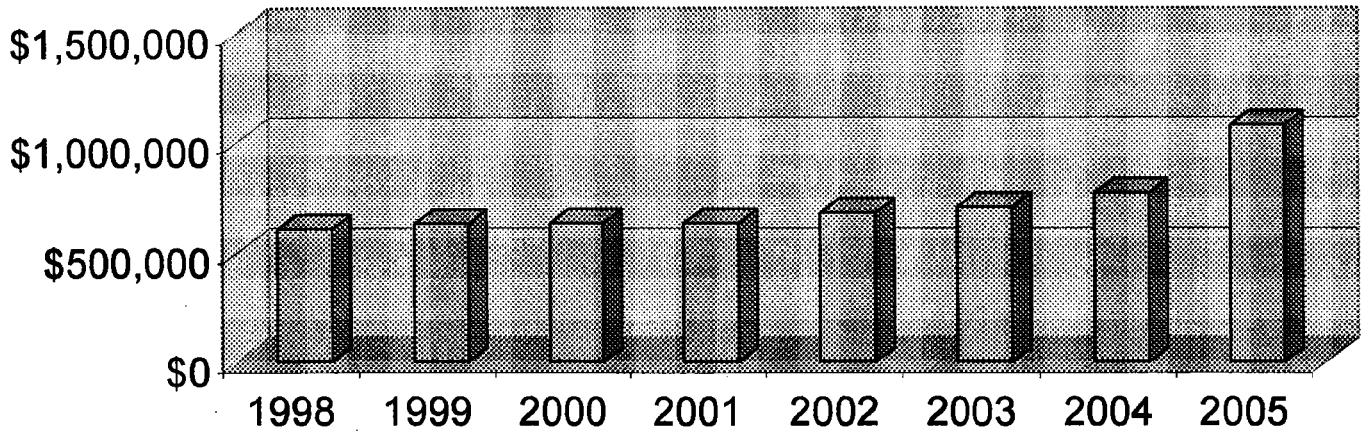
1998	1999	2000	2001	2002	2003	2004	2005
\$111,575	\$141,443	\$204,770	\$305,770	\$361,583	\$449,971	\$521,815	\$604,583

Cash and Cash Equivalent



1998	1999	2000	2001	2002	2003	2004	2005
\$604,942	\$628,549	\$631,222	\$631,222	\$678,829	\$705,409	\$770,334	\$1,078,539

Fixed Assets



WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Statement of Net Assets
December 31, 2005

	<u>Proprietary Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 587,191
Accounts receivable, net of \$4,000 allowance	86,511
Due from other governments	11,286
Total current assets	<u>684,988</u>
Noncurrent assets:	
Restricted cash and cash equivalents	17,392
Prepaid expenses	6,780
Capital assets, net of accumulated depreciation:	
Improvements	139,395
Vehicles	9,290
Equipment	430,502
Furniture & fixtures	929
Buildings	25,591
Land	18,163
Total capital assets	<u>623,870</u>
Total noncurrent assets	<u>648,042</u>
Total assets	<u>1,333,030</u>
Liabilities	
Current liabilities:	
Accounts payable	18,124
Capital leases due within one year	71,440
Total current liabilities	<u>89,564</u>
Noncurrent liabilities:	
Post closure payable	238,067
Capital leases due in more than one year	151,560
Total noncurrent liabilities	<u>389,627</u>
Total liabilities	<u>479,191</u>
Net Assets	
Invested in capital assets, net of related debt	400,870
Restricted for closure & post closure costs	17,392
Unrestricted	435,577
Total net assets	<u>\$ 853,839</u>

The accompanying notes are an integral part of the financial statements.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended December 31, 2005

	Proprietary Fund
Operating revenues	
Charges for services	\$ 418,007
Operating expenses	
Collection expense	152,137
Advertising	159
Bad debt expense	-
Bank charges	-
Bond expense	510
Depreciation expense	60,055
Fuel	15,202
Insurance expense	47,879
Legal & professional fees	21,507
Licenses & fees	1,745
Miscellaneous expense	1,400
Office expense	4,739
Payroll tax expense	12,237
Closure & post closure expense	46,656
Rent & lease expense	400
Repairs & maintenance	11,455
Retirement expense	11,863
Salaries & wages	110,627
Travel & meals expense	180
Utilities	6,598
Total operating expenses	505,349
Net operating loss	(87,342)
Non-operating income (expenses)	
Gain (loss) on disposal of assets	-
Intergovernmental revenue	156,405
Interest income	17,195
Total nonoperating revenue (expenses)	173,600
Change in net assets	86,258
Total net assets--beginning	767,581
Total net assets--ending	\$ 853,839

The accompanying notes are an integral part of the financial statements.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Statement of Cash Flows
For the Year Ended December 31, 2005

	<u>Proprietary Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 393,075
Cash paid to suppliers	(263,174)
Cash paid to employees	(134,727)
Net cash used by operating activities	<u>(4,826)</u>
Cash flows from capital and related financing activities:	
Purchase of property and equipment	(308,207)
Proceeds from capital debt	273,000
Capital lease principal payments	(50,000)
Intergovernmental revenue	155,606
Net cash provided by capital and related financing activities	<u>70,399</u>
Cash flows from investing activities:	
Interest revenue	17,195
Net cash provided by investing activities	<u>17,195</u>
Net increase in cash and cash equivalents	82,768
Cash and cash equivalents at beginning of year	521,815
Cash and cash equivalents at end of year	<u>\$ 604,583</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (87,342)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation	60,055
Post closure expense	46,656
(Increase) decrease in accounts receivable	(24,932)
(Increase) decrease in prepaid expenses	-
Increase (decrease) in accounts payable	737
Net cash used by operating activities	<u><u>\$ (4,826)</u></u>

The accompanying notes are an integral part of the financial statements.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 1. Summary of Significant Accounting Policies

NATURE OF ORGANIZATION

Waste Management Service District #5, (the Service District) is a component unit of Beaver County, Utah. The Service District was established by resolution of the Board of County Commissioners of Beaver County on August 2, 1993, pursuant to the provisions of Chapter 23, of Title 11, Utah Code Annotated, 1953, to provide solid waste disposal services to the territory which includes the unincorporated areas of Beaver County and the municipalities of Beaver District, Milford District and Minersville Town. Four members of the Control Board of the Service District are appointed by the Beaver County Commissioners, and each community appoints a board member. There are no other agencies or component units that should be associated with these financial statements.

BASIS OF PRESENTATION-FUND ACCOUNTING

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The District's only fund is an enterprise fund.

BASIS OF ACCOUNTING

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The only fund of the District is an enterprise fund. The accrual basis of accounting is generally followed as revenues are from services which are susceptible to accrual and expenditures are recorded when the liability is incurred. The District applies all applicable GASB pronouncements as well as FASB pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted assets are available for use, it is the District's policy to use restricted assets first, and then unrestricted assets as they are needed but reserves the right to be selective in the use of such restricted assets that best fit District needs.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 1. Summary of Significant Accounting Policies, Continued

BUDGET POLICY AND PROCESS

The Service District adopts an annual budget. The budget is prepared on the accrual basis. The Service District is required to submit the budget to the Utah State Auditor's Office after it has been adopted by the Board. Budgetary information has not been amended during the year. Budget appropriations lapse at year-end.

ENCUMBRANCES

Encumbrance accounting is not used.

CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NET ASSETS

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors. A portion of net assets is restricted to provide funding to pay costs expected to close the District's landfill.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 2. Deposits and Investments

Deposits and investments of the District at December 31, 2005 consisted of the following:

Cash on hand	\$ 240
Deposits	
Cash in bank	68,973
Investments	
State treasurer's investment pool	535,370
	<u>\$ 604,583</u>

A reconciliation of cash and investments as shown on the Statement of Net Assets is as follows:

Unrestricted cash and cash equivalents	\$ 587,191
Restricted cash and cash equivalents	17,392
	<u>\$ 604,583</u>

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of December 31, 2005, none of the District's bank balance of \$84,933 was exposed to custodial credit risk because it was uninsured and uncollateralized.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 2 Deposits and Investments, Continued

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 2. Deposits and Investments, Continued

As of December 31, 2005 the District had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Utah State Public Treasurer's Investment Fund	\$ 535,370	\$ 535,370	\$ -	\$ -	\$ -
Total Fair Value	<u>\$ 535,370</u>	<u>\$ 535,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At December 31, 2005 the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Utah State Public Treasurer's Investment Fund	\$ 535,370	\$ -	\$ -	\$ -	\$ 535,370
Total Fair Value	<u>\$ 535,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 535,370</u>

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 3. Capital Assets and Depreciation

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method as follows:

	Useful Life (Years)	Balance at December 31, 2004	Additions	Deletions	Balance at December 31, 2005
Capital assets, not being depreciated:					
Land		18,163	-	-	18,163
Capital assets, being depreciated:					
Improvements	15-40	\$ 185,570	\$ 9,342	\$ -	\$ 194,912
Vehicles	5	44,934	-	-	44,934
Equipment	3-15	416,943	298,863	-	715,806
Furniture and Fixtures	3-15	7,846	-	-	7,846
Buildings	7-20	96,878	-	-	96,878
Total capital assets, being depreciated		752,171	308,205	-	1,060,376
Less: accumulated depreciation for:					
Improvements		(45,501)	(10,016)		(55,517)
Vehicles		(31,362)	(4,282)		(35,644)
Equipment		(248,618)	(36,686)		(285,304)
Furniture and Fixtures		(6,353)	(564)		(6,917)
Buildings		(62,780)	(8,507)	-	(71,287)
Total accumulated depreciation		(394,614)	(60,055)	-	(454,669)
Total capital assets, being depreciated, net		357,557	248,150	-	605,707
Net capital assets		\$ 375,720	\$ 248,150	\$ -	\$ 623,870

Note 4. Major Contracts

A garbage collection contract was entered into during 1994 with Laidlaw Waste Systems Inc. It became effective on October 1, 1993 and allowed for 5 years of garbage pickup. The contract allowed for charges of \$5.49 per residence for semi-automatic pickup with additional garbage cans and dumpsters charged at \$2.99 and \$30 each, respectively. A new contract was signed by the District, which became effective October 1, 1998. This contract was with Allied Waste Services, and allowed for charges of \$4.75 per residence with additional garbage cans charged at \$2.59 each. On January 24, 2001, the District approved a 20 cent per residence rate increase, bringing the residential rate to \$4.95 per residence. A five year extension to the contract with Allied Waste Services was approved by the District in 2004. The extension did not provide for any change in the rates charged by Allied to the District.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 5. Defined Benefit Pension Plan

Plan Description. The District contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake District, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System the District is required to contribute 11.09% through June 30, 2005 and 11.09% thereafter of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District contributions to the Noncontributory Retirement System for 2005, 2004 and 2003 were \$10,293, \$9,510, and \$7,927, respectively. The contributions were equal to the required contributions for each year.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 6. Closure and Post Closure Care Cost

State and federal laws and regulations require the District to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the District reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The District is currently operating two landfills. At December 31, 2005, one of the two landfills was licensed and permitted as a class IV landfill. The second landfill was licensed and permitted as a Class I landfill. The Class IV and Class I closure and post closure liability estimates have been completed and are summarized below.

The \$238,067 reported as landfill closure and post closure care liability at December 31, 2005, represents the cumulative amount reported to date based on the use of the estimated capacity of the landfill currently in use. The District will recognize the remaining estimated cost of closure and post closure care of \$13,590 for the Class IV landfill and \$609,484 for the Class I landfill as the remaining estimated capacity of the cell is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2005. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The District expects the Class IV landfill to last about 246 years and the Class I landfill to last about 30 years. It is estimated that 15.3% of the Class IV landfill's capacity has been used to date, and that 27.9% of the Class I landfill's capacity has been used to date.

The District is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post closure care. The District is in compliance with these requirements, and at December 31, 2005, cash of \$535,370 was held for these purposes.

Note 7. Long-term Debt

The District has entered into a lease agreement as lessee for financing the acquisition of a track loader. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term for a nominal payment) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

	Balance 12/31/2004	Additions	Retirements	Balance 12/31/2005	Current Portion
Capital lease payable	\$ -	\$ 273,000	\$ 50,000	\$ 223,000	\$ 71,440
Total capital lease payable	\$ -	\$ 273,000	\$ 50,000	\$ 223,000	\$ 71,440

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2005

Note 7. Long-term Debt, Continued

The following is a schedule of future minimum lease payments under the capital lease, and the present value of net minimum lease payments at December 31, 2005:

- A. Lease of track loader. The value of the track loader is \$273,000. The lease payment is \$80,695, paid annually. Interest is accrued at 4.15%. Accumulated depreciation on the asset is \$7,583.

Fiscal year ended:

12/31/2006	\$ 80,695
12/31/2007	80,695
12/31/2008	<u>80,696</u>
Total lease payments	242,086
Less amount representing interest	<u>19,086</u>
Present value of lease	<u><u>\$ 223,000</u></u>

SUPPLEMENTARY INFORMATION

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Statement of Revenues, Expenses, and Changes in Net Assets – Budget and Actual
For the Year Ended December 31, 2005

	Proprietary Fund			Variance with
	Budgeted Amounts		Actual Amounts	Final Budget
	Original	Final	(Budgetary) Basis	Positive (Negative)
Operating revenues				
Charges for services	\$ 402,659	\$ 402,659	\$ 418,007	\$ 15,348
Operating expenses				
Collection expense	162,000	162,000	152,137	9,863
Advertising	500	500	159	341
Bad debt expense	-	-	-	-
Bank charges	-	-	-	-
Bond expense	550	550	510	40
Depreciation expense	-	-	60,055	(60,055)
Fuel	12,000	12,000	15,202	(3,202)
Insurance expense	48,000	48,000	47,879	121
Legal & professional fees	40,000	40,000	21,507	18,493
Licenses & fees	500	500	1,745	(1,245)
Miscellaneous expense	10,000	10,000	1,400	8,600
Office expense	9,700	9,700	4,739	4,961
Payroll tax expense	-	-	12,237	(12,237)
Closure & post closure expense	16,000	16,000	46,656	(30,656)
Rent & lease expense	500	500	400	100
Repairs & maintenance	125,000	125,000	11,455	113,545
Retirement expense	11,227	11,227	11,863	(636)
Salaries & wages	109,182	109,182	110,627	(1,445)
Travel & meals expense	3,000	3,000	180	2,820
Utilities	10,000	10,000	6,598	3,402
Total operating expenses	558,159	558,159	505,349	52,810
Net operating loss	(155,500)	(155,500)	(87,342)	68,158
Non-operating income (expenses)				
Gain (loss) on disposal of assets	-	-	-	-
Intergovernmental revenue	145,000	145,000	156,405	11,405
Interest income	10,500	10,500	17,195	6,695
Total nonoperating revenue (expenses)	155,500	155,500	173,600	18,100
Change in net assets	-	-	86,258	\$ 86,258
Total net assets--beginning	767,581	767,581	767,581	
Total net assets--ending	\$ 767,581	\$ 767,581	\$ 853,839	

OTHER COMMUNICATIONS
FROM
INDEPENDENT AUDITORS



MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
BRENT R. HALL
KENNETH A. HINTON
GREGORY A. KEMP
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

**Independent Auditors' Report on Compliance with
Laws and Regulations and on
Internal Control over Financial Reporting
Based on an Audit of Basic
Financial Statements Performed in Accordance
with Government Auditing Standards**

Administrative Control Board
Waste Management Service District # 5
P.O. Box 278
Milford, Utah 84751

We have audited the basic financial statements of the Waste Management Service District #5, a component unit of Beaver County, and have issued our report thereon dated July 12, 2006. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the board, management and various federal and state agencies and is not intended to be, and should not be used by anyone other than these specified parties.

While these reports are intended to be used by the specified parties, which include the applicable government regulatory bodies which require the reports, this report restriction does not alter the fact that the audit reports are public documents which, based on Utah laws, must be open to inspection by any interested person.

Kemp, Burdick, Hinton & Hall, L.C.

KEMP, BURDICK, HINTON & HALL, L.C.

July 12, 2006



**Independent Certified Public Accountants' Report on
State Legal Compliance**

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
BRENT R. HALL
KENNETH A. HINTON
GREGORY A. KEMP
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

Administrative Control Board
Waste Management Service District #5
P. O. Box 278
Milford, UT 84751

We have audited the basic financial statements of Waste Management Service District #5; a component unit of Beaver County, for the year ended December 31, 2005, and have issued our report thereon dated July 12, 2006. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2005. The District received the following major State assistance program from the State of Utah.

Mineral Lease Distribution (Utah Department of Transportation)

Our audit also included test work on the District's compliance with the general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Special Districts
Other General Compliance Issues

The management of Waste Management Service District #5 is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Waste Management Service District #5, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2005.

Kemp, Burdick, Hinton & Hall, L.C.

KEMP, BURDICK, HINTON & HALL, L.C.
July 12, 2006